OPENING LETTER

TURBULENCE. IT’S PROBABLY THE BEST SINGLE WORD TO DESCRIBE OUR CURRENT ECONOMY.

But it’s nothing we, as Albertans, haven’t seen before. We’ve been through these cycles, and in many ways these times of economic uncertainty make us stronger.

This issue of Navigate focuses on our turbulent times, with article submissions that hone in on financial planning, the perils of focusing on the short term, and being prepared mentally to tough it out. Co-produced by the Private Counsel group at ATB Investor Services and Alberta Private Client, ATB’s private banking group, Navigate now provides you with an expanded range of content and contributors from both the investment and private banking services (including estate and trust).

Together, our advice is very much the same – we have built a plan with you to ride out times like these. Absolutely review your current financial position, your cash flow and future goals. Sit down with your advisory team to review, but we would very much hesitate to make significant changes at this time. Your fortitude and innovation has led to your success. You have access to a strong Alberta financial team that will help to ensure this current cycle won’t affect your healthy financial future.

RISK MEANS MORE THINGS CAN HAPPEN THAN WILL HAPPEN

The title is a quote from a finance professor named Elroy Dimson of the London Business School. Conversations with our clients primarily cover risk in the context of banking and investments. Albertans in Fort McMurray have experienced a different, and very real, type of risk from devastating wildfires. Fortunately (or unfortunately), ATB has had practice with disasters in our province. We’ve jumped into action to do what we can for Albertans.

Our action begins with an emergency relief program for clients, including accelerated access to funds from both their bank account and investment portfolio. We are also working with clients to adjust credit payments to suit their circumstances and increasing the number of experts available, given this disaster has impacted ATB’s 32 team members who live and work in Fort McMurray.

We haven’t stopped there. ATB has made a substantial corporate donation to the Red Cross, and are asking our friends and communities to do the same. Further initiatives on our part will be announced once the region’s specific needs are better understood and we can respond with smart, simple and helpful solutions.
MARKET UPDATE

Market Indices (April 30, 2016)

<table>
<thead>
<tr>
<th></th>
<th>1 year</th>
<th>3 year</th>
<th>10 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>2.1%</td>
<td>3.5%</td>
<td>5.3%</td>
</tr>
<tr>
<td>FTSE TMX Universe Bond Index</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Canada S&amp;P/TSX TRI</td>
<td>-5.4%</td>
<td>7.0%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Canada S&amp;P/TSX Energy Index</td>
<td>-16.1%</td>
<td>-2.2%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>US S&amp;P 500 TRI (CAD)</td>
<td>5.1%</td>
<td>19.7%</td>
<td>8.1%</td>
</tr>
<tr>
<td>Global MSCI EAFE TRI (CAD)</td>
<td>-0.5%</td>
<td>14.4%</td>
<td>5.3%</td>
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</table>

Data Source: Bloomberg

Canadian Income and Dividend Yields (pre-tax)

<table>
<thead>
<tr>
<th></th>
<th>Apr 30/16</th>
<th>Apr 30/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 Year Government of Canada Bond (AAA)</td>
<td>1.51%</td>
<td>1.58%</td>
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<tr>
<td>10 Year Investment-Grade Corporate Bond (A)</td>
<td>2.96%</td>
<td>2.90%</td>
</tr>
<tr>
<td>S&amp;P/TSX Composite Index</td>
<td>3.09%</td>
<td>2.80%</td>
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</tbody>
</table>

Data Source: Bloomberg

Residential Real Estate Median Sale Price (April 30, 2016)

<table>
<thead>
<tr>
<th></th>
<th>Apr 30/16</th>
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</thead>
<tbody>
<tr>
<td>Edmonton</td>
<td>$357,750</td>
<td>$357,750</td>
</tr>
<tr>
<td>Calgary</td>
<td>$430,000</td>
<td>$430,000</td>
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</table>

Data Source: EREB and CREB

Energy (April 30, 2016)

<table>
<thead>
<tr>
<th></th>
<th>Apr 30/16</th>
<th>Apr 30/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.11 Aeco Spot (CAD/mcf)</td>
<td>$1.11</td>
<td>$1.11</td>
</tr>
<tr>
<td>Western Canada Select (CAD/bbl)</td>
<td>$40.90</td>
<td>$40.90</td>
</tr>
<tr>
<td>Synthetic Crude (CAD/bbl)</td>
<td>$58.48</td>
<td>$58.48</td>
</tr>
</tbody>
</table>

Data Source: Bloomberg

Economic Growth (GDP)

<table>
<thead>
<tr>
<th></th>
<th>Dec 31/15</th>
<th>Dec 31/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>0.8%</td>
<td>3.4%</td>
</tr>
<tr>
<td>US</td>
<td>1.4%</td>
<td>2.1%</td>
</tr>
<tr>
<td>EU</td>
<td>1.6%</td>
<td>1.0%</td>
</tr>
<tr>
<td>China</td>
<td>6.8%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

Data Source: Bloomberg

Economic Metrics

<table>
<thead>
<tr>
<th></th>
<th>Mar 31/16</th>
<th>Mar 31/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada Inflation</td>
<td>1.3%</td>
<td>1.2%</td>
</tr>
<tr>
<td>US Inflation</td>
<td>0.9%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Canada Unemployment</td>
<td>7.1%</td>
<td>6.8%</td>
</tr>
<tr>
<td>US Unemployment</td>
<td>5.0%</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

Data Source: Bloomberg

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THE EMOTIONAL SIDE OF INVESTMENT REGRET

DR. REANA SARACENI, R. PSYCH.
Senior Manager, Business Consulting
ATB Investor Services

To make effective financial decisions you need to be able to manage your emotions. This can be hard. Often, our emotions get in the way of making good investment decisions. To recognize and manage your emotions, it helps to understand the brain’s decision-making process. This biological awareness, together with an investment counselor’s sound financial advice, can help improve your investment decisions over the long term.

BALANCING EMOTION AND REASON

Our brain’s decision-making process is highly complex. The primitive part of the brain is connected to emotion and designed to carry out certain automatic processes that take place subconsciously. These processes are essential for human survival, serving as an early warning system by sending messages of fear, anxiety and panic.

Automatic processes are also responsible for our instinctive judgments about whether a situation or person is dangerous or safe, good or bad.

When we encounter unexpected events or choices, or when we are faced with complex decisions, our brain’s executive functioning processes take over. Opposite of automatic processes, executive functioning is conscious, logical, deliberative and involves reason and strategy. Typically, financial decisions, such as planning for short- and long-term goals and making investment choices, are governed by our executive functioning.

In most situations, our automatic and reasoning processes work collaboratively to react, formulate conclusions and respond effectively to life events. It’s interesting to note that from a financial perspective and in certain cases, these two systems may compete rather than work together.

While the intuitive, emotional and responsive qualities of the automatic system can be advantageous in fight-or-flight situations, they can wreak havoc when making sound investment decisions. For example, if a situation is ambiguous or evokes strong emotion, our subconscious and instinctive urges may not only dictate, but override more intentional controlled processes.

This may provide insight into why investors who are faced with uncertain situations, such as market volatility, can become panicked, and behave counter to their pre-established financial strategies. This may also explain why investors, for some seemingly inexplicable reason, act against their better judgment and re-allocate funds intended for long-term goals to gratify more immediate aspirations.

This overriding instinct to retreat from apparent risks and toward instant gratification has helped primitive humans survive in an age when the ability to quickly evaluate and react to danger or seize an opportunity were matters of life and death. These same instincts can be problematic for investors and their investment advisors since they tend to overturn long-term financial planning.

MENTAL SHORTCUTS

In present day, there is little worry about being stalked by predators; however, our primitive brain still scans the environment for potential harm from more abstract sources such as competitors or negative headlines. To worsen matters, we all rely on certain biases or mental shortcuts to arrive at intuitive conclusions, based on limited and often unreliable information.
For example, our biases of fear and regret can take precedence over pursuing investment gains, even when losses are short term and long-term financial gains are possible. Sometimes our aversion to loss can make us extremely risk averse, and in periods of market volatility, we panic and sell our savings out of fear of worsening our losses.

This is connected to another mental shortcut known as the recency effect, which often overemphasizes current experiences as an indicator of the future. The recency effect is similar to another mental shortcut called the availability bias. Rather than evaluating all relevant information prior to making investment decisions, the availability bias makes us more susceptible to relying on whatever information is most easily recalled, which tends to be either recent or emotionally charged.

Every decision we make is a combination of emotion and reason, and because our automatic brain is faster than our rational brain, it’s still slow to learn, and is often why investors make repeated investment mistakes.

Our investment counselors at ATB Investor Services have the knowledge and awareness to recognize these mental biases. They understand that decision-making is greatly influenced by how we compare new information with past experiences and can help you sort through the clutter, leverage investment opportunities and stay the course to reach your long-term financial goals.

FINDING FINANCIAL BALANCE DURING TROUBLED TIMES

MARK PIETRUCKI,
Senior Private Client Advisor
with input from
TANIS JALBERT AND DOUGLAS SMITH
Private Client Wealth Specialists

I remember my grandparents talking about the Great Depression, usually related to some lesson about saving my money or not buying a new car as the old one is just fine. They were extremely cautious when it came to finances, a caution I certainly did not share in my youth. Their caution came from living through incredibly unsettled times. We are in an unsettled economy right now – but what can you do?

Get involved with your financial plan.

With complex financial situations, comprehensive financial planning is a must. Though there aren’t any hard and fast rules for this, you should be touching base with your private client advisor or investment counselor at least once a year, with a full plan review every two years. In my experience, I hear from clients when they’ve had some sort of significant life event, like having children, purchasing a property, major illness, or job loss. But to truly get comfortable with your finances and your financial future you need to be actively involved.

STEP 1: GATHER YOUR INFORMATION.

To develop a comprehensive plan, you need to provide every bit of financial information you can. What are your current assets and liabilities, both personal and business? Include all investments and stock portfolios, real estate and even personal property such as collectibles, motor vehicles, recreation vehicles, etc. Gathering this information can be time consuming; having the information consolidated in one place is beneficial not only for your financial plan, but also your estate plan.

Your private client advisors and investment counselors have access to a team of financial and legal professionals who can help you analyze your current position, and extrapolate for your future state based on historical
Who’s got Alberta’s back?

We do.

ATB Financial

atb.com/supportalberta
financial algorithms, business analysis and more. The team will work to build a plan for you based on the core elements of managing current cash and assets, including tax-planning strategies; growing wealth through investment management and sophisticated credit tools; and protecting wealth through estate planning, trusts and insurance vehicles.

Once engaged, the team works through the financial planning process with you. It will involve several meetings, but hang in there, it’s worth it.

**STEP 2: UNDERSTAND YOUR CURRENT LIFESTYLE TO PLAN FOR YOUR FUTURE – AND BE PREPARED TO CHANGE.**

A big portion of the conversation with your advisor will centre on cash flow and cash management. This economic downturn has many of us tightening our belts as our cash flow drops (or potentially drops), so this conversation at this time is pretty important. Spend time with your advisor evaluating your current lifestyle, then look forward.

**STEP 3: SET YOUR GOALS.**

Your priority in goal setting is, of course, retirement. But you shouldn't stop there. Your advisory team will present a financial plan that prioritizes all the significant expenditures you want to plan for over your lifetime. This could include philanthropic pursuits, property purchases, or simply providing education funding for children or grandchildren.

Getting proactively involved with your financial plan will keep you in touch with your goals. Regular consultation with your advisor will help you stay the course, no matter what the economic times.

**STEP 4: PLAN FOR THE INEVITABLE.**

Estate planning can be difficult to address, but you have to know that at some point you will no longer roam this earth and you don't want to leave your family in a state of financial uncertainty.

There are numerous estate planning concepts and strategies available to you and, combined with a comprehensive financial plan, will give you peace of mind for years to come. For more information, please reach out to a private client advisor or investment counselor.

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**LIONS AND TIGERS AND BEARS, OH MY!**

RALPH JAGLAL, CFA, CFP
Director and Investment Counselor
ATB Investment Management Inc.

Dorothy's famous line is a reference to the fear of the unknown and I was reminded of it recently during a period of market volatility.

The Wizard of Oz was released 76 years ago in 1939, just one year after ATB was founded. Back then, the world was a very different place. The Great Depression was ending, the Second World War was just beginning, and what became known as the 'greatest generation' was just getting started. The journey from then to now was truly remarkable, yet full of uncertainties and reasons for fear all along the way. As a wealth management organization entrusted with the fiduciary stewardship of more than $14 billion of our clients' wealth, I thought I might reflect on this rich history in terms of the field we specialize in.

The list below is just a small sample of the many fearsome events that accompanied this journey to date. The numbers in brackets are December 31 closing values for the Dow Jones Industrial Average (DJIA) in each of the years referenced:

- **1939 – War in Europe (150)**
- **1950 – Korean War (235)**
1962 – Cuban Missile Crisis (652)
1966 – Vietnam War escalates (786)
1973 – Energy Crisis (851)
1982 – Debt crisis, recession (1047)
1990 – Gulf War (2634)
2008 – Banking and credit crisis, recession (8776)
2011 – Eurozone crisis (12218)
2015 – Falling oil prices and Chinese stock market sell-off (17425)

And that brings us to today. We are all on a journey, and like Dorothy, we move forward knowing there will be uncertainties regardless of the path we take. Sometimes, our awareness of these uncertainties can become so great (for example, during periods of market volatility) that our decision making is at risk of becoming very short term in nature. For most of our clients, their wealth is large enough that it is properly characterized as inter-generational in nature. In other words, their wealth has a very long time horizon. It is now established that one of the greatest risks to long-term wealth is the effect of ad hoc or emotionally driven short-term decision making.

Another phrase for this could be ‘market timing’. In times of market stress, we are more likely to be at risk of our fear of an unknown future overwhelming us and taking control of our decision making. During these times, pundits who make a living promoting fear and worst case scenarios garner the most media attention. This is a classic ‘witches brew’ that works to defeat well-designed, long-term strategies and can lead to short-sighted decision making.

This is also a well-studied area of behavioural finance. Availability bias is the tendency to make decisions based on easily recalled (e.g. recent) events or advertising (for example, a period of market volatility coupled with radio, TV or online ‘quotes’ to exploiting the opportunity to be heard and fan fears). A natural outcome of this bias is the tendency for people to overreact to current market conditions.

So what to do? How do you avoid falling into the trap of a cycle of fear and short-term-ism?

It won’t always be easy, but an important starting point is to have an investment policy strategy, with a focus on appropriate goals, and having a disciplined approach to investment decision making. Within Private Counsel, we ensure every one of our clients has a written Investment Policy Statement (IPS) to guide your long-term investment strategy. This is a valuable tool that brings structure and discipline to the investment decision process rather than ad hoc revisions created by short-term thinking.

You’re also not in this alone. My colleagues and I (your ‘navigators’) are with you on this journey. Our knowledge, conviction and commitment to providing you with unbiased and objective investment counsel is of paramount importance in earning your trust and helping empower you to stay the course and hold on to your long-term strategies.

Dorothy may have hoped for a fun place without any troubles (or any risk) somewhere over the rainbow. But as we know, she found more risk instead and ultimately discovered there was no place like home.

With confidence in yourself, your strategies and with the guidance of professionals you trust, we are with you every step of the way.

THE HUMILITY OF DIVERSIFICATION

JASON MANIOTAKIS
Associate Investment Counselor
ATB Investment Management Inc.

Achieving investment success depends heavily on knowing what we can control. It’s normal to assume that the more financial journalism we absorb from industry “experts” about the economy and different sectors of the stock market, the better foresight we should have to sell investments before the market goes down, and buy them before the market goes back up. Trust me, I wish it were that easy! While I’m not suggesting that we completely ignore financial headlines and turn off cable news, I am suggesting we keep in mind that these sources do not necessarily share your personal agenda.
ON COMMON GROUND

No one knows the power of Alberta quite like you. You worked hard, planned smart, and helped turn it into a powerful province that fuels passion and offers great rewards. From customized service and dedicated account management to world-class financial products with global reach, Alberta Private Client is designed for even the most complex financial situations. We manage, grow and protect your wealth, and your future, starting right here.
Market performance and news headlines change far more frequently than the reasons why each of us choose to invest.

A lot of research has been conducted in an attempt to determine if markets are predictable both in good times and in bad, and the vast majority of the evidence leads us to conclude that they aren’t. There will always be someone who claims to know when the next market correction is coming. They might even get lucky and be right on occasion. However, even the most successful investors in history profess that market timing is impossible to perfect on a consistent basis over an investing lifetime.

“Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future.”

– Warren Buffett

To become a successful investor, we must focus our attention on what we can control. But to do so, we must first have the humility to accept the following:

• We don’t know which direction the markets will go in the near term.
• We don’t know which sector of the market will outperform from one period to the next.
• There is no statistical evidence for the persistence of outperformance.
• Staying invested through market up’s and down’s yields better results than attempting to time them.

If we agree that we can’t control the markets, that we don’t know next period’s top performer and that time is an investor’s greatest asset, then it would seem the best solution would be to own a little of everything for long periods of time. This is the humility of diversification.

Once we humbly accept that diversification is the sensible approach to managing a portfolio of investments, it is important to maintain a perspective that aligns with the time horizon of our investment objectives. This is inherently difficult to do because we live, think and act in the short term. It’s human nature. It’s a fear of being wrong. It’s a fear of missing out. By concentrating our efforts to understand how and why we act this way, we are able to control these emotions and refrain from making irrational decisions based on short-term market forecasts. Portfolio decisions then become goal driven, and not market focused.

“Learning how to invest smarter will do you no good whatsoever unless you’re willing to endure the short-term pain of being right in the long term.”

– Jason Zweig, personal finance writer and author.

An investment strategy with a consistent, disciplined approach that is strategically allocated to different asset classes, geographic regions and sectors of the market is proven to be the most effective approach to realizing long-term financial goals. It’s boring, but it works. And best of all, it allows us to focus on the things that actually matter, like spending time with our family and friends, or traveling to an unfamiliar destination. Life will always be full of uncertainties, but if we focus on the things we can control rather than worrying about the things we can’t, I’m almost certain we’ll all live happier lives because of it.
WHERE WE OPERATE

FORT MCMURRAY
315 Powder Drive
780-588-2580

EDMONTON
2300, 10020-100 St.
780-408-6570

RED DEER
104, 4911-51 St.
403-302-5728

CALGARY
700, 585 8th Ave.
403-974-3336

LETHBRIDGE
601 Mayor Magrath Dr. S
403-381-5107

FORT MCMURRAY
Priscila Barbosa, Private Client Advisor

EDMONTON
Devan Bell, Senior Private Client Advisor
Denny Jeong, Private Client Advisor

RED DEER
Alberta Private Client

LETHBRIDGE
Alberta Private Client

CALGARY
Alberta Private Client

PRIVATE COUNSEL

Cory Boddy, Director and Investment Counselor
Ken Soderquist, Director and Investment Counselor
Ralph Jaglal, Director and Investment Counselor
Kimberley Walker, Associate Investment Counselor

Curtis Huska, Director and Investment Counselor
John Shypitka, Director and Investment Counselor
Jeff House, Director and Investment Counselor
Daniel Spencer, Director and Investment Counselor
Jason Maniotakis, Associate Investment Counselor

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